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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 19, 2001

APPLICATION OF

SOUTHSIDE ELECTRIC COOPERATIVE, INC. CASE NO. PUE000749

For approval of a functional
separation plan

APPLICATION OF

SOUTHSIDE ELECTRIC COOPERATIVE, INC. CASE NO. PUE000750

For a general rate increase
and for approval of a special
rate and contract

ORDER FOR NOTICE AND HEARING

On December 29, 2000, Southside Electric Cooperative ("Southside" or "the Cooperative") filed with the State Corporation Commission ("Commission") an application for a general increase in electric rates and amendments to the Cooperative's terms and conditions ("general rate application"), and for approval of a special rate for ArborTech, Inc. ("ArborTech") ("special rate application").

Also on December 29, 2000, Southside filed with the Commission an application for approval of a plan for functional separation ("functional separation plan") pursuant to Virginia Code § 56-590 of the Virginia Electric Utility Restructuring

Act, Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia ("Restructuring Act" or "the Act").

Pursuant to § 56-582 A 3 of the Restructuring Act, Southside's proposed rates in its general rate application took effect January 1, 2001, on an interim basis and subject to refund. According to the Cooperative, its proposed rates and charges will produce additional annual revenues of \$6,001,654. These additional annual revenues represent an increase of 10.77% in jurisdictional revenues. The rates ultimately approved by the Commission will become Southside's capped rates through July 1, 2007, under § 56-582 A of the Restructuring Act.

In addition to revised rates for electric service, Southside proposes increases in fees and charges for special services under its terms and conditions.

Southside states that it provided notice of its intent to file its general rate application as required by section B.6 of the Commission's Rules Governing Streamlined Rate Proceedings and General Rate Proceedings for Electric Cooperatives Subject to the Commission's Rate Jurisdiction.¹

Southside's special rate application seeks approval of a special rate for service to ArborTech, a lumber producer and manufacturer of wood products that is currently constructing a

¹ 20 VAC 5-200-21 et seq.

facility in Southside's Nottoway County service territory. According to the Cooperative's application, ArborTech's new facility will create at least 50 new jobs and will represent an investment of over \$20 million in Nottoway County.

Southside states that, pursuant to § 56-235.5 of the Code of Virginia, ArborTech could receive service under the Cooperative's Schedule I, but that the proposed special rate is needed as an economic incentive to encourage the location of this customer in Southside's service territory. Southside states that its special rate proposal will (i) protect the public interest, (ii) will not unreasonably prejudice or disadvantage any customer or class of customers, and (iii) will not jeopardize the continuation of reliable utility service.

As noted, Southside has also filed a functional separation plan as required by the Restructuring Act. Section 56-590 of the Act requires all incumbent electric utilities to functionally separate their electric generation, retail transmission, and distribution services by January 1, 2002. That section authorized the Commission to promulgate rules and regulations to direct the functional separation of electric generation, retail transmission and distribution services, and to direct that certain requirements be contained in incumbent electric utilities functional separation plans.

The Commission adopted, in Case No. PUA000029, Regulations Governing the Functional Separation of Incumbent Electric Utilities under the Virginia Electric Utility Restructuring Act (the "Functional Separation Rules").² The Functional Separation Rules govern the relationships between affiliated, functionally separated entities, the Commission's oversight of such affiliated companies, and the requirements of the functional separation plans submitted by each incumbent electric utility to the Commission.

In Southside's functional separation plan application, the Cooperative states that it is not an integrated utility and is currently functionally separated with regard to generation and transmission. Southside states it does not operate through or with an affiliated generation company other than Old Dominion Electric Cooperative. As such, Southside states it need not transfer assets to a division or affiliate, or divest itself of any assets, in order to comply with § 56-590. The Cooperative states that its contractual commitments to purchase wholesale power are expected to continue, and it anticipates the manner in which it will meet its obligations to make electric service available at capped rates and as a default supplier should not be affected by its functional separation plan.

² 20 VAC 5-202-10 et seq.

Southside filed a cost of service study as required by the Functional Separation Rules. The Cooperative states that its current operations are functionally separated and unbundled pursuant to its cost of service study. The Functional Separation Rules also require that utilities file proposed unbundled tariffs, rates, terms and conditions. Southside did not file such with its functional separation plan, but did so as part of its general rate application. Southside requested that this tariff filing in the general rate application be accepted and used as the Cooperative's compliance with the filing requirements of in Case PUE000749.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion that Southside's functional separation plan application should be docketed in Case No. PUE000749, its general rate application and special rate application should be docketed in Case No. PUE000750, and that further notice should be given to the public. The unbundled tariffs filed in Southside's general rate increase application, will be incorporated by reference in the Cooperative's functional separation plan application.

A public hearing should be convened on Southside's rate applications, and interested parties should be given an opportunity to comment or request a hearing on the Cooperative's functional separation plan application. If a request for a

hearing is granted on Southside's functional separation plan, the Commission's hearing examiner appointed herein will also hear evidence related to that application on the scheduled hearing date for the rate applications, unless the hearing examiner of the Commission finds good cause for setting another date for the functional separation application.

Accordingly, IT IS ORDERED THAT:

(1) Southside's functional separation plan application is docketed and assigned Case No. PUE000749.

(2) Southside's general rate application and special rate application filing is docketed and assigned Case No. PUE000750.

(3) As provided by § 12.1-31 of the Code of Virginia and Rule 7:1, 5 VAC 5-10-520, of the Commission's Rules of Practice and Procedure ("Procedural Rules"), a hearing examiner shall be appointed to conduct all further proceedings in this matter on behalf of the Commission, concluding with the filing of the examiner's final report to the Commission.

(4) A public hearing is hereby scheduled on Southside's general rate application and special rate application beginning at 10:00 a.m. on July 11, 2001, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia, for purposes of receiving evidence relevant to these applications in Case No. Case No. PUE00750.

(5) Forthwith upon receipt of this Order, Southside shall make available for inspection at its offices during regular business hours copies of its applications, this Order, and all other materials filed in Case Nos. PUE000749 and PUE000750. Upon receipt by Southside's counsel, John M. Boswell, Esquire, Boswell & Williamson, P.O. Box 45, 601 East Virginia Avenue, Crewe, Virginia 23930, of written requests from interested persons, the Cooperative shall provide copies of its functional separation plan application, and/or its general rate application and special rate application.

(6) On or before April 25, 2001, any person desiring to comment on Southside's functional separation plan application, Case No. PUE000749, and/or on the Cooperative's general rate or special rate applications, Case No. PUE000750, or desiring a hearing in Southside's functional separation plan application, shall file an original and fifteen (15) copies of such written comments and/or request for hearing with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall refer to the relevant case number(s). A copy of such comments or request for hearing shall simultaneously be sent to counsel for Southside, John M. Boswell, Esquire at the address set forth above. Any request for hearing on the functional separation plan shall detail reasons why such issues cannot be adequately addressed in

written comments. The hearing examiner shall consider any requests for a hearing and make any necessary rulings. If no sufficient request for hearing is received, the Commission may make its decisions on the functional separation plan based upon papers filed in this proceeding.

(7) On or before April 25, 2001, any person desiring to participate in Case No. PUE000750 as a protestant, as defined in Rule 4:6 of the Procedural Rules, 5 VAC 5-10-180, shall file with the Clerk of the Commission an original and fifteen (15) copies of a notice of protest, as required by Procedural Rule 5:16(a), 5-VAC 5-10-420 A, and shall simultaneously serve a copy on Southside's counsel at the address identified in paragraph (5) above.

(8) Within five (5) days of receipt of a notice of protest, Southside shall serve upon each protestant a copy of this order and its application, unless these documents have already been provided to that person.

(9) On or before May 15, 2001, all protestants shall file with the Clerk of the Commission an original and fifteen (15) copies of a protest, as required by Procedural Rule 5:16(b), 5 VAC 5-10-420 C, and an original and fifteen (15) copies of the testimony and exhibits that the protestant intends to present at the hearing, and shall serve one (1) copy of the protest,

testimony, and exhibits on counsel for Southside and on all other protestants.

(10) The Commission Staff shall investigate Southside's general rate increase application and special rate application, Case No. PUE000750, and Southside's functional separation plan application, Case No. PUE000749, and, on or before June 1, 2001, shall file with the Clerk an original and fifteen (15) copies of the testimony and exhibits the Staff intends to present at the hearing on the general rate increase application and special rate increase application; and a report presenting its findings and recommendations in the functional separation plan application, and shall serve a copy on counsel to Southside and on all other parties.

(11) On or before June 25, 2001, Southside may file with the Clerk an original and fifteen (15) copies of all testimony it expects to offer in rebuttal to all direct testimony and exhibits of the Commission Staff and protestants filed in the general rate increase and special rate applications, Case No. PUE000750 and any comments on the Staff's report in the functional separation application, Case No. PUE000749, and shall serve a copy on all other parties. Additional rebuttal evidence may be presented in response to evidence which was not filed but elicited at the hearing, if the need for additional rebuttal evidence is timely addressed by motion during the hearing.

(12) Responses to Interrogatories to Parties or Requests for Production of Documents and Things shall be made within ten (10) days of service. Except as modified herein, discovery shall be in accordance with Procedural Rule 6:4, 5 VAC 5-10-480.

(13) On or before March 28, 2001, Southside shall serve a copy of this Order on all parties of record appearing in the Cooperative's last rate case, if any, and all officials listed in the Cooperative Rate Rules, 20 VAC 5-200-21 D 2 h, in the manner prescribed by that rule, as well as upon all customers served under Southside's Industrial Power Rate Schedule I.

(14) On or before April 4, 2001, Southside shall publish the following notice as display advertising (not classified) once in newspapers of general circulation in its service territory:

NOTICE TO THE PUBLIC OF APPLICATIONS BY
SOUTHSIDE ELECTRIC COOPERATIVE FOR APPROVAL
OF A FUNCTIONAL SEPARATION PLAN, A GENERAL
INCREASE IN ELECTRIC RATES, AND FOR APPROVAL
OF A SPECIAL RATE FOR ARBORTECH, INC.
CASE NO. PUE000749 & CASE NO. PUE000750

On December 29, 2000, Southside Electric Cooperative ("Southside" or "the Cooperative") filed with the State Corporation Commission ("Commission") an application for a general increase in electric rates and amendments of the Cooperative's terms and conditions ("general rate application"), and for approval of a special rate for ArborTech, Inc. ("ArborTech") ("special rate application").

Also on December 29, 2000, Southside filed with the Commission an application for approval of a plan for the functional separation of its generation, transmission, and distribution services ("functional separation plan") pursuant to Virginia Code § 56-590 of the Virginia Electric Utility Restructuring Act, Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia ("Restructuring Act" or "the Act").

Pursuant to § 56-582 A 3 of the Restructuring Act, Southside's proposed rates in its general rate application took effect January 1, 2001, on an interim basis and subject to refund. According to the Cooperative, its proposed rates and charges will produce additional annual revenues of \$6,001,654. These additional annual revenues represent an increase of 10.77% in jurisdictional revenues. The rates ultimately approved by the Commission will become Southside's capped rates through July 1, 2007, under § 56-582 A of the Restructuring Act.

Southside's special rate application, filed pursuant to § 56-235.2 of the Code of Virginia, seeks approval of a special rate for service to ArborTech, a lumber producer and manufacturer of wood products that is currently constructing a facility in Southside's Nottoway County service territory. According to the Cooperative's special rate application, ArborTech's new facility will create at least 50 new jobs and will represent an investment of over \$20 million in Nottoway County. Southside states that ArborTech could receive service under the Cooperative's Schedule I, but that the proposed special rate is needed as an economic incentive to encourage the location of this customer in Southside's service territory. Southside states that its special rate proposal will (i) protect the public interest, (ii) will not unreasonably prejudice or disadvantage any customer or

class of customers, and (iii) will not jeopardize the continuation of reliable utility service.

A public hearing on the Southside general rate application and special rate application will be convened before a hearing examiner on July 11, 2001, at 10:00 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219.

Any person desiring to comment in writing on Southside's functional separation plan application, Case No. PUE000749, and/or on the Cooperative's general rate or special rate applications, Case No. PUE000750, or desiring a hearing in Southside's functional separation plan application, shall, on or before April 25, 2001, file an original and fifteen (15) copies of such written comments and/or request for hearing with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall refer to the relevant case number(s). A copy of such comments or request for hearing shall simultaneously be sent to counsel for Southside, John M. Boswell, Esquire, Boswell & Williamson, P.O. Box 45, Crewe, Virginia 23930.

Any request for hearing on the functional separation plan shall detail reasons why such issues cannot be adequately addressed in written comments. The hearing examiner shall consider any requests for a hearing and make any necessary rulings. If no sufficient request for hearing is received, the Commission may make its decisions on the functional separation plan based upon papers filed in this proceeding.

The details of Southside's proposals are set out in its applications. Interested parties are encouraged to review the

applications, which may be done at the Commission's Document Control Center, Office of the Clerk of the Commission, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, during Commission business hours. Copies of the applications may also be reviewed at the Cooperative's office in Crewe, Virginia, during regular business hours. The Cooperative will also provide a copy of the application(s) upon receipt of a written request to its counsel, John M. Boswell, Esquire, Boswell & Williamson, P.O. Box 45, Crewe, Virginia 23930.

Interested persons may obtain a copy of the Commission's Order for Notice and Hearing establishing this proceeding and setting forth the complete procedural schedule from the Commission's Web site, www.state.va.us/scc/caseinfo/orders.htm.

On or before April 25, 2001, any person desiring to participate in Case No. PUE000750 as a protestant, as defined in Rule 4:6 of the Procedural Rules, 5 VAC 5-10-180, shall file with the Clerk of the Commission an original and fifteen (15) copies of a notice of protest, as required by Procedural Rule 5:16(a), 5-VAC 5-10-420 A, and shall simultaneously serve a copy on Southside's counsel at the address identified above.

Any person desiring to make a statement at the public hearing concerning the applications need only appear in the courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff as a public witness.

Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled hearing date at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

SOUTHSIDE ELECTRIC COOPERATIVE

(15) On or before April 25, 2001, Southside shall file with the Clerk proof of the newspaper publication required by ordering paragraph (14) and proof of service required by ordering paragraph (13), including the name, address, and title of each person served.